

**SPOTLIGHT:**  
Information and  
Communications  
Technologies

**FEATURE:**  
How Healthy Do  
You Feel?

**OPINION:**  
Is that Recession Over  
Yet?

# CURRENTS Western Canada's Monthly Economic Bulletin

Vol. 2009, No. 9 a **CanadaWest** Foundation publication

**CanadaWest**  
FOUNDATION

**Our Vision**  
A dynamic and prosperous West in a  
strong Canada.

**Our Mission**  
A leading source of strategic insight,  
conducting and communicating non-  
partisan economic and public policy  
research of importance to the four  
western provinces and all Canadians.

## Monthly Economic Highlights

Statistics Canada announced that the Canadian economy contracted for the third time in a row in the second quarter, with real GDP down 0.9%. Consumer and government spending grew while exports and investment in buildings and

machinery declined, albeit at a slower pace than in the previous quarter.

In August, 27,000 jobs were created nationally but the unemployment rate reached 8.7%, the highest level since January 1998. Employment was up in Manitoba (+3,100)

and BC (+8,600) but down in Alberta (-6,700) and especially in Saskatchewan (-3,200). While Saskatchewan's job loss was the only notable one across the country, the province still has the lowest unemployment rate at 5.0%.

In July, the national inflation rate remained below zero at -0.9%, following June's negative rate of -0.3%, the first 12-month decline in consumer prices since 1994. Inflation was the lowest in BC (-1.6%) and Alberta (-1.5%), reflecting drops in energy and homeowner's replacement costs. Saskatchewan was the only province with an overall price increase (0.9%).

In June, retail trade was up across the West, with Manitoba (+2.8%) and Saskatchewan (+2.3%) posting the fastest growth in the country. Results were more mixed for wholesale trade, as a 2.9% jump in BC, which was mainly due to strong auto sales, was offset by declines in Saskatchewan (-1.5%) and Alberta (-1.3%).

Monthly Economic Statistics	BC	AB	SK	MB	Canada	Reference Month
<b>Labour Markets</b>						
Employment (000s)	2,256	1,979	517	611	16,807	August
% change	0.4	-0.3	-0.6	0.6	0.2	
Unemployment rate (%)	7.8	7.4	5.0	5.7	8.7	August
change in percentage points	0.0	0.2	0.3	0.5	0.1	
Participation rate (%)	65.9	74.3	69.7	70.1	67.3	August
Average weekly earnings (\$)	798.75	962.77	803.77	765.26	823.23	June
% change	0.0	2.0	0.1	0.3	0.7	
<b>Inflation</b>						
Consumer Price Index (% change)*	-1.6	-1.5	0.9	0.0	-0.9	July
<b>Economic Activity</b>						
Housing starts (000s)**	13.1	17.6	3.6	4.0	134.2	July
% change	-7.1	-12.0	-29.4	-20.0	-2.6	
Retail trade (\$M)	4,416	4,710	1,191	1,245	34,363	June
% change	0.7	1.3	2.3	2.8	1.0	
Wholesale trade (\$M)	4,125	4,825	1,301	1,058	40,375	June
% change	2.9	-1.3	-1.5	0.0	0.6	
Manufacturing sales (\$M)	2,714	4,466	925	1,230	39,654	June
% change	2.0	0.3	-1.8	-1.5	1.9	

\* Compared to same month in the previous year \*\* Annual rate (monthly figures are multiplied by 12 to reflect annual levels)

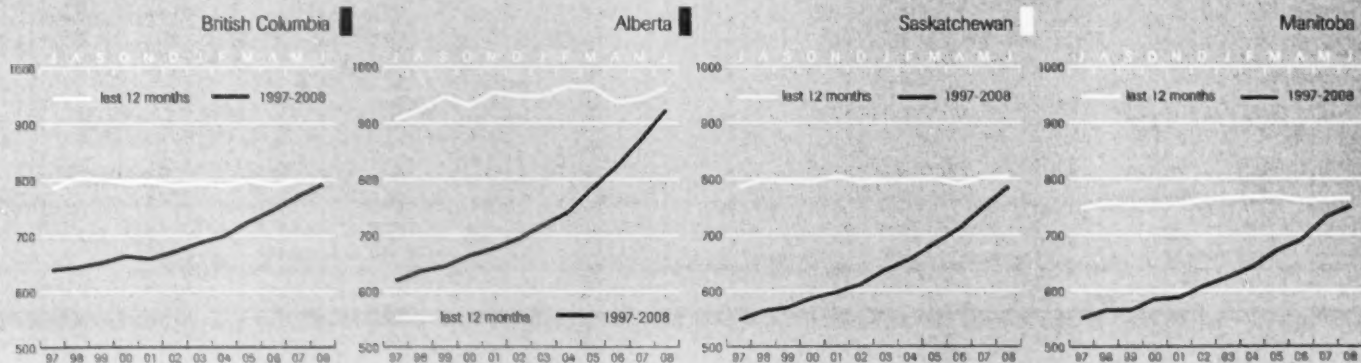
Unless otherwise noted, data are seasonally adjusted and percent change is from previous period. Source: Statistics Canada, Canada Mortgage and Housing Corp

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## Average Weekly Earnings (\$)

Source: Statistics Canada



## Did you know?

- The oil sands are not limited to Alberta: Saskatchewan has a potential 2.3 billion barrels of undeveloped bitumen deposits.
- BC trees attacked by pine beetles retain their commercial value for 5 to 18 years.
- Nunavut has the youngest median age in Canada: 22.1 years.
- Alberta has more than 280 golf courses, including seven of Canada's signature courses.
- Winnipeg has held the "Slurpee Capital of the World" title for six years in a row, gulping 400,000 of the semi-frozen soft drinks per month.
- Peter Ittinuar (Nunatsiak, Northwest Territories) was the first Inuit elected to the House of Commons in the May 22, 1979 general election.

# "USE YOUR OWN NUMBERS AND TELL ME HOW YOU FEEL TODAY?"

These days our US neighbours are trying to agree on how to improve their health care system. Well, "trying to agree" might put it too mildly: there is a raging debate going on. From this side of the border, it is hard to imagine that anyone would be opposed to being provided universal health care. Ah well.

There is no debate over here about the basic premise of our health care system: everyone pays for everyone else, and everyone can use it. We're not too happy with the waits, lack of equipment and the apparently continuous improvement process included in the package, but we certainly wouldn't part with it.

To be more accurate, we don't have a system as much as a system of systems, with each province setting its own health policies and receiving federal funding as long as some national guidelines are followed. This leads to differences between jurisdictions, and the inevitable cross-Canada comparisons they entail. Unfortunately, there is no perfect measure of how "good" a health care system is.

Using costs, or dollars spent per person, hides the fact that some systems are more efficient than others, especially in how they mix costly intervention (such as surgeries) and less-costly prevention (such as public health education). Life expectancy data are another measure, often used for international comparisons due to wide

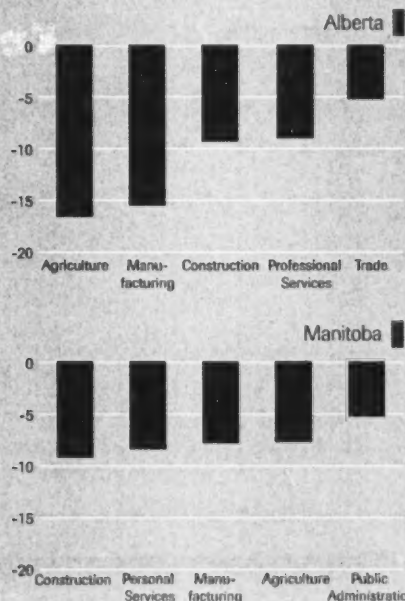
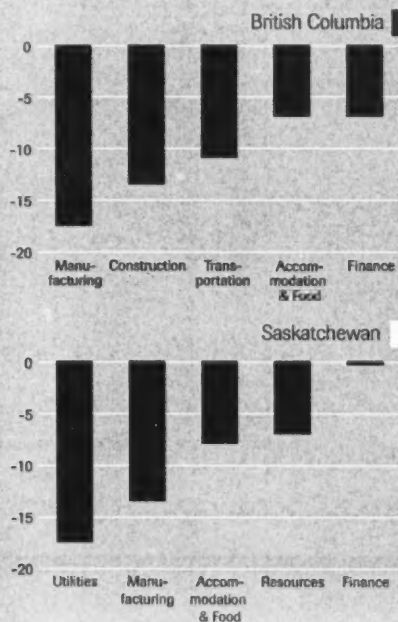
## BEHIND THE NUMBERS

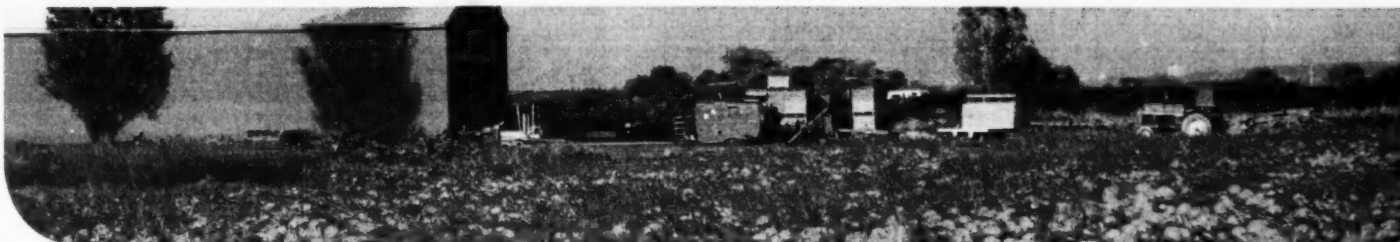
It's been a year since job losses started as a result of the recession, and some industries in the West were hit hard, with most of the decline taking place in the manufacturing and construction sectors. Many agricultural jobs also vanished, especially in Alberta and (somewhat less) in Manitoba.

BC was the province where job losses were the most widespread, as 11 sectors declined, some quite severely. In Saskatchewan, only 5 sectors were hit. In total, Saskatchewan's economy posted a net job gain over that period, the only western province to do so.

Top 5 Job-Losing Industries from July 2008 to July 2009 (%)

Source: Statistics Canada





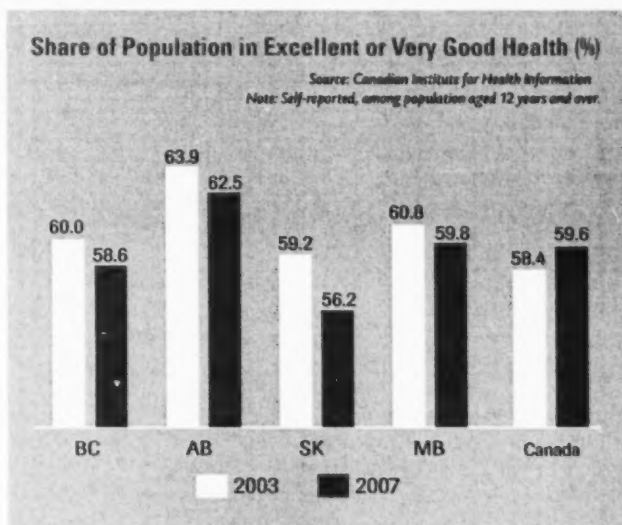
differences between countries for this particular statistic, but differences within Canada are so small that they could be purely statistical.

It is no surprise, then, that Canada's federal, provincial and territorial governments created the Canadian Institute for Health Information (CIHI), an agency that uses a common approach to collect, analyze and publish information on Canadian health.

The CIHI releases measurements related to very specific health issues, most of which are derived from hospital administrative data. It also compiles more generic numbers on how healthy Canadians feel, which provide a better overall picture for the purpose of provincial comparisons. These results are "self-reported", in that they're simply based on people's answers.

Within the West, Albertans appear to be the most satisfied with their health situation, with 62.5% of respondents aged 12 or more perceiving their health as being "excellent or very good" in 2007. This makes Alberta the one western province that is most significantly above the Canadian average of 59.6%. In fact, all four western provinces saw their satisfaction percentages fall from 2003 to 2007, in contrast with an increase for Canada as a whole. One of the reasons for the decline in the West could be that respondents here all reported a higher incidence of high blood pressure over the same period.

Does this mean that Alberta's health care system is better? Not by any means. Here's the catch: as data get easier to compare from one province to another, they lose their causality connection with the health care apparatus. All we can say is that Albertans feel healthier. It could be the sunsets over the Rockies, or the two NHL teams...



## Industry Spotlight: Information and Communications Technologies in Saskatchewan

The Information and Communications Technologies (ICT) sector in Saskatchewan employs about 14,000 people in some 300 companies and generates more than \$1 billion in gross revenues annually. From satellite control to health care management systems, Saskatchewan is home to a variety of ICT companies. For instance, International Road Dynamics specializes in highway traffic management products and systems. Vecima Networks, whose main facility is located in Saskatoon, designs and manufactures products that enable broadband access to networks. Regina-based ISM Canada, which started as a provincial Crown corporation in the 1970s, is Canada's largest provider of information systems management services.

The growth of the ICT sector is supported by TRLabs, a not-for-profit applied research consortium operating throughout western Canada. TRLabs has laboratories in Regina and Saskatoon that are affiliated with the province's two universities.

Initiatives to promote the commercialization of new ICT products include the National Research Council's IRAP program, the Saskatchewan Market Assessment of Research and Technology program, and the "Progress2Capital" program.



Automatic vehicle weight and class measuring bending plates at a site in Korea.

photo credit: International Road Dynamics Inc.



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## Is This It?

by Jacques Marcil, Senior Economist

**H**ave we reached the beginning of the end of the recession? Recently, some opinion polls have shown that Canadians' outlook on the economy for the upcoming months has improved. While "shovel-ready" was the catch phrase of last winter, this summer it was "green shoots".

Economic gardeners are all over the place. When reading news and comments these days, one is reminded of the fictional media hoopla around Chauncey Gardener, the know-nothing-at-all character brilliantly played by Peter Sellers in the 1979 movie, *Being There*. Any positive pronouncement gets magnified and over-analyzed, especially if it comes with horticultural connotations.

It's easy for most observers to get misled into thinking that a few months of good news is the sign of a solid, positive trend, and forget that job losses are still going on in Canada, keeping the unemployment rate at levels not seen in decades.

Despite this, it is true that we are getting some positive signals from south of the border. It looks like after four quarters of decline, economic growth will return to the US during the third quarter (July-September) of this year. This, at least, is the opinion of 90% of economists polled by the reputable Blue Chip survey. Some of this growth will simply be the consequence of a lack of earlier production, especially in manufacturing: once you're done trimming inventories, you don't have any choice but to increase production to satisfy demand, no matter how low that demand is. Another bit of American good news came with job numbers for July, which showed that the pace of job losses was finally slowing down.

As for us, we've often heard that from an economic point of view, when the US sneezes, Canada catches a cold. Does this law of economic nature work the other way around? The answer is a resounding "Yes, but." It will take a while before new-found US growth generates, in turn, Canadian growth. One reason for this has to do

with normal timing and delays. Another reason is that the post-recession trade relationship between Canada and the US will not be a simple return to the pre-recession situation. Having the Canadian dollar above 90 cents US is one big change, and so is the upcoming change in US energy policy, which could mean less oil exports for Canada. Further, despite reassurances from President Obama, the "Buy American" clauses in the US stimulus package directly translate in less potential exports for us.

Canada is not as close to taking the economic turn as the US are. But then, even if we were, that would not necessarily mean that hard times are over. A return to GDP growth is simply just the end of GDP decline. It doesn't mean that the economy has been "repaired" or "healed", nor that things are back to where they were prior to the recession. One way to illustrate this: the 1990 Canadian recession lasted just one year (four quarters) but it took the economy four and a half years to return to pre-recession job levels. While from a purely technical point of view most recessions last only a few quarters, their impact is felt for much longer.

This thing is not over yet. If Canadians are keeping an upbeat attitude despite the gloomy job statistics, maybe that's because so far the recession has not been as dramatic as some had prophesized, and certainly less dramatic than in the US, where some towns and counties have become economic disaster zones. Maybe Canadians have been following the news more than usual and are aware that government stimulus money is about to create jobs near where they live. That would mean that the stimulus program is truly having a psychological impact. As to the economic impact, especially in terms of jobs, we will have to wait for a few quarters to assess it. ■